Approved For Release 2008/09/08 : CIA-RDP86B00338R000400490015-1

OLL 83-2455
4 October 1983

MEMORANDUM FOR THE RECORD

SUBJECT: Congressional Hearing on "The Payroll Deduction Facilitation Act"

1. The House Committee on Post Office and Civil Service, Subcommittee on Compensation and Employee Benefits, conducted the subject hearing on 4 October 1983. Chairwoman Mary Rose Oakar (D., OH) was the only Subcommittee member in attendance. Attached for your information is the Witness List and prepared statements of each. Actual testimony did not vary from the prepared statements. Also attached for your information is a copy of H.R. 3879 and an associated Bill Summary.

46

2. Since the Administration supports passage of this Bill, it should not encounter any substantive difficulty in either House of the Congress. There is no companion bill to H.R. 3879 in the Senate. The likelihood of this Bill succeeding to enactment is high. The only question is how long will it take to cycle through the legislative process in the two Houses. Optimistically, it could be enacted by mid-year 1984.

3. The Office of Legislative Liaison will continue to follow this Bill and report its progress as appropriate.

STAT

Liaison Division
Office of Legislative Liaison

Attachments
As stated

Distribution:
Original - OLL Record w/atts
1 - OLL Chrono w/o atts
1 - D/OLL w/o atts
1 - DD/OLL w/o atts
1 - C/LD/OLL w/o atts
✓ 1 - C/LEG/OLL w/atts STAT
1 - C/HL/OLL w/o atts
1 - DD/Pers w/atts
1 - DD/Pers/SP w/atts
1 - AD/PP/OF w/atts STAT
1 - Subject w/atts
1 - Chrono w/o atts
LD/OLL: (5 October 1983)

STAT

Approved For Release 2008/09/08 : CIA-RDP86B00338R000400490015-1

Approved For Release 2008/09/08 : CIA-RDP86B00338R000400490015-1

I

98TH CONGRESS
1ST SESSION

H. R. 3879

To amend title 31, United States Code, to eliminate the fee imposed on financial organizations which receive payroll deductions from Federal employees, and for other purposes.

IN THE HOUSE OF REPRESENTATIVES

SEPTEMBER 13, 1983

Ms. OAKAR introduced the following bill; which was referred jointly to the Committees on Post Office and Civil Service and Banking, Finance and Urban Affairs

---

A BILL

To amend title 31, United States Code, to eliminate the fee imposed on financial organizations which receive payroll deductions from Federal employees, and for other purposes.

Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled,

SHORT TITLE

SECTION 1. This Act may be cited as the "Payroll Deduction Facilitation Act".

Approved For Release 2008/09/08 : CIA-RDP86B00338R000400490015-1

Approved For Release 2008/09/08 : CIA-RDP86B00338R000400490015-1

ELIMINATION OF PAYROLL DEDUCTION FEES ON FINANCIAL ORGANIZATIONS

SEC. 2. Section 3332(b) of title 31, United States Code, is amended by inserting "without charge" after "shall be sent".

SEC. 3. Section 3332 of title 31, United States Code, is amended by striking out subsection (c) and redesignating subsections (d), (e), (f), and (g) as subsections (c), (d), (e), and (f), respectively.

PROPER ADMINISTRATION OF DISBURSING FUNCTIONS

SEC. 4. Section 1113 of the Right to Financial Privacy Act of 1978 (12 U.S.C. 3413) is amended by adding at the end thereof the following:

"(l)(1) In any case in which a Government authority which has a disbursing function needs to know, for the sole purpose of properly administering such disbursing function—

"(A) the name and address of any individual customer with access to an account which was credited, or which should have been credited, with any deposit disbursed by such Government authority; or

"(B) the amount credited to such account of funds disbursed by such Government authority,

nothing in this title shall apply to the disclosure by a financial institution to such Government authority of the information specified in subparagraph (A) or (B) so long as the request for

Approved For Release 2008/09/08 : CIA-RDP86B00338R000400490015-1

Approved For Release 2008/09/08 : CIA-RDP86B00338R000400490015-1

disclosure by the Government authority is specific as to the individual customers, account numbers, or amounts credited.

"(2) Information which is specified under subparagraph (A) or (B) of paragraph (1) and which is received under paragraph (1) by a Government authority which has a disbursing function may be transferred by such Government authority to another Government authority concerned with the payment of the funds involved, only if such transfer is made for, and such information will be used for, the sole purpose of properly administering the law which authorizes the payment of the funds involved.".

○

 Approved For Release 2008/09/08 : CIA-RDP86B00338R000400490015-1

Approved For Release 2008/09/08 : CIA-RDP86B00338R000400490015-1

BILL SUMMARY OF H.R. 3879
"The Payroll Deduction Facilitation Act"

PURPOSE AND TITLE: To amend title 31, United States Code, to eliminate the fee imposed on financial organizations which receive payroll deductions from Federal employees, and for other purposes.

SOURCE: Introduced by Congresswoman Mary Rose Oakar, Chair of the Subcommittee on Compensation and Employee Benefits of the House Committee on the Post Office and Civil Service, on September 13, 1983. Jointly referred to the Committees on Post Office and Civil Service and Banking, Finance and Urban Affairs.

BACKGROUND: Under current law (31 U.S.C. 3332), the Government imposes service charges on financial institutions and organizations which receive payroll deductions from federal employees.

The law requires that federal agencies be reimbursed by the recipient financial institutions for the administrative costs incurred in processing these payroll allotments. The number of deductions an employee can make is limited to three, and the Federal Government absorbs the administrative cost of sending the first check to an employee's designated financial organization. However, if other deductions are made, the appropriate federal agency must be reimbursed by the designated financial organization for the administrative costs involved in processing these deductions. Current law also provides that these fees only apply to payroll deductions of federal civilian employees. Active and retired military personnel and Department of Defense personnel living overseas may authorize payroll deductions at no cost to them or their recipient financial organizations.

In 1981, the Department of the Treasury proposed regulations to double the service charge for payroll allotments. In response, Congresswoman Oakar introduced H.R. 4703 (97th Congress) on October 6, 1981, to totally eliminate these fees. A hearing was held on February 4, 1982, and the bill passed the House on April 27, 1982. However, following the House action and while the bill was still pending in the Senate, the Treasury Department, on June 7, 1982, postponed indefinitely the proposed fee increase.

Since the beginning of the 98th Congress, the staff of Congresswoman Oakar's Subcommittee has been working with staff from the Banking Committee and the Department of the Treasury. This bill is the product of that effort, and it has the support of the Treasury Department, the major credit union associations and other financial organizations.

Approved For Release 2008/09/08 : CIA-RDP86B00338R000400490015-1

Approved For Release 2008/09/08 : CIA-RDP86B00338R000400490015-1

SECTION-BY-SECTION ANALYSIS

Short Title

Section 1. This section provides that the Act may be cited as the "Payroll Deduction Facilitation Act."

Elimination of Payroll Deduction Fees on Financial Institutions

Section 2. This section amends section 3332(b) of title 31, United States Code, by inserting the clarifying language, "without charge", following the words, "shall be sent", in the first sentence of that section. This amendment merely clarifies that the payroll deductions authorized by this section shall be at no charge to the employee or recipient financial organization.

Section 3. This section repeals section 3332(c) of title 31, United States Code, to eliminate the statutory provision for the fees imposed on financial organizations which receive payroll deductions from federal employees. This amendment also redesignates the subsections of section 3332.

Proper Administration of Disbursing Functions

Section 4. This section amends section 1113 of the Right to Financial Privacy Act of 1978 (12 U.S.C. 3413) by adding a new subsection.

This new subsection provides for another exception to the Act by authorizing a financial institution to release certain information on individual customers and accounts to a Government authority. That Government authority, however, must have a disbursing function and a need to know the requested information for the sole purpose of properly administering its disbursing function. In addition, the Government's request for disclosure must be specific as to individual customers, account numbers, or amounts credited.

This new subsection further limits the information which a financial institution is authorized to release to the following: (a) the name and address of any individual customer with access to an account which was credited, or which should have been credited, with any deposit disbursed by the Government authority; or (b) the amount credited to such account of funds disbursed by the Government authority.

Finally, this new subsection permits the transfer of this information by the receiving Government authority to another Government authority concerned with the payment of the funds involved, only if the transfer is made for, and the information is used for, the sole purpose of properly administering the law which authorizes the payment of the funds involved.

Approved For Release 2008/09/08 : CIA-RDP86B00338R000400490015-1

Approved For Release 2008/09/08 : CIA-RDP86B00338R000400490015-1

Mr. Johnson attempted to suggest that there was something sinister concerning the payment of rental for Bureau of Land Management land as opposed to a single payment to private landowners. This simply is caused by the inability by law for the BLM to convey easements or interest, whereas private landowners are not so restricted. A lump sum settlement versus periodic rentals are equated when the amounts are determined. A private owner can put his payment in the bank and draw it out as an annuity if he wishes, which equates to the BLM periodic payment scheme.

Another item raised was the assignment of the BLM right-of-way grant. Normally, before an interest in this land can be assigned, the right to originally convey that interest must exist. Since the BLM cannot convey an interest in the land, ETSI does not receive an interest in the land and therefore cannot assign something they have not acquired. Generally speaking, the permit to cross BLM lands can be transferred as a routine matter. As for the BLM having no liability, I would submit that this is a rather broad brush statement and rather misleading. Our legal counsel advises that there are many instances in which the BLM could be held liable for tortious acts committed by them or their agents.

Mr. Johnson also states that the BLM is reimbursed for all costs incurred by them in preparation of the right-of-way permit. ETSI offered to reimburse the SOS landowners individually for reasonable attorney fees upon the execution of an agreement satisfactory to both parties, as has been our policy with other landowners. Perhaps Mr. Johnson's testimony should be viewed as being supportive of federal eminent domain legislation for coal slurry pipelines in that he expressed a concern about discrepancies occurring. Without the right of eminent domain these discrepancies can and do occur; however, eminent domain would allow the entity acquiring right-of-way the opportunity to maintain a consistent pricing structure.

Mr. Bruch's testimony is basically without substance and is primarily used as a means of attacking the ETSI Pipeline Project. However, he does make one comment to which we will respond.

He states that, ". . . it is far easier to gain wealth by manipulating government to obtain special privileges . . ." Perhaps Mr. Bruch was attempting to acquire that very position with his appearance before the subcommittee. It would certainly enhance a landowner's negotiating posture if eminent domain was not available, and in fact, is just the opposite of the true intent of eminent domain which is that the welfare of the general public carries a greater weight than that of any one individual.

As further evidence of our willingness to negotiate in "good faith", we, ETSI, in our efforts to acquire the needed right-of-way in South Dakota, have worked with a number of landowner groups and have satisfactorily addressed their concerns except for one group—that being the "Save Our Soils" group. Initially, the SOS organization was formed to protect the landowners rights and was recognized as such. However, shortly after formation, the actual control and direction was usurped by persons with the sole intent of defeating the ETSI project, not the protection of the landowner membership. This direction was now in the hands of Messrs. Johnson, Bruch and Crowley. It was at this time that the group replaced their attorney who was diligently trying to resolve the issues. The group then retained a "cause" lawyer who, over the period of several months, was instrumental in blocking every attempt by ETSI to conclude negotiated agreements. To show how ridiculous the situation was, the group asked that ETSI pay this attorney for her services as an adversary. No one agreed that ETSI would pay her fees, to do so would be questionable ethically and would be downright foolish from a business standpoint. However, in keeping with our policy that no landowner should suffer an economic loss due to our request for an easement, we did agree to reimburse the individual landowners for reasonable attorney fees incurred upon the execution of a right-of-way agreement. It was after this offer that we were informed by the new attorney that we should pursue eminent domain proceedings.

Perhaps the appearance of these South Dakota landowners is in itself a testimony for the need of federal eminent domain authority for coal pipelines. It is, in our opinion, representative of the fact that a very vocal and persistent minority can and will, if given the opportunity, delay or prevent coal pipelines and other energy related projects—projects that are vital to the Nation's efforts to develop its resources and thus decrease our dependency on foreign energy sources.

I hope this letter will be helpful to you in understanding the charges made against ETSI at the subcommittee hearing. Should you have additional questions, please do not hesitate to call.

Sincerely,

PAUL G. DORAN,
President.●

TRIBUTE TO AN EAGLE SCOUT

HON. JOHN R. McKERNAN, JR.

OF MAINE

IN THE HOUSE OF REPRESENTATIVES

Tuesday, September 13, 1983

● Mr. McKERNAN. Mr. Speaker, I rise and ask my colleagues to join me in praising the achievements of one of my constituents, David Caron, 16, of Portland, Maine. David will become an Eagle Scout on September 27.

I do not need to remind my colleagues of the tremendous effort and test of character involved in attaining the rank of Eagle Scout. So many figures of national renown have this prestigious award among their laurels that we may well conclude that the young men who earn this title today have unusual promise for tomorrow.

It is a privilege to be able to represent David Caron, who is the first Scout in troop 5 of St. Patrick's Church in Portland to attain the level of Eagle Scout. David is a junior at Deering School, where he is both a good student and athlete. In his spare time, David has a part-time job and attends a data processing course at a local vocational school. He is interested in a career in computer science.

David single-handedly undertook a fund drive for the cancer fund as part of his Eagle Scout requirements. He set up a "tag day" at several local stores, and, working with other Scouts and their parents, was able to provide a significant contribution to the fight against cancer. The bearer of 21 separate merit badges, and an attentive student of the Boy Scout creed, David Caron is truly worthy of the Scout's highest award.

I join David's parents, teachers, friends, and Scouts everywhere, in congratulating him on his achievement, and in wishing him many future successes.●

PAYROLL DEDUCTION FACILITATION ACT

HON. MARY ROSE OAKAR

OF OHIO

IN THE HOUSE OF REPRESENTATIVES

Tuesday, September 13, 1983

● Ms. OAKAR. Mr. Speaker, I am introducing legislation today which will benefit Federal employees, save the taxpayers money, and allow the Government to utilize modern banking practices.

This bill, the "Payroll Deduction Facilitation Act," accomplishes two basic purposes. It provides for no-cost payroll deductions for Federal employees, and it amends the Right to Financial Privacy Act of 1978 (12 U.S.C. 3413) to assist the Government in making recurring payments through the use of direct-deposit electronic fund transfers (EFT's).

Over the years, payroll deductions have proven to be an effective and efficient means of encouraging savings for all Americans. We know that savings are a sure method by which every citizen can contribute to improvement in our economy, help stall inflation, and play a positive role in bringing down interest rates. Congress, therefore, should do all it possibly can to encourage thrift and savings, and this is one of the purposes of the bill I am offering today.

Under the current law, service charges for processing payroll deduction checks are imposed only on savings allotments made under 31 U.S.C. 3332. This statute requires that Federal agencies be reimbursed for the additional administrative costs incurred in processing savings allotments for Federal civilian employees by their recipient financial institutions. The Federal Government will absorb the administrative cost of sending one check to an employee's designated financial organization. However, the appropriate Federal agency must be reimbursed by the designated financial organization for any administrative costs incurred in processing additional savings allotment checks, which are statutorily limited to two. Current law also provides that only active and retired military personnel and Department of Defense civilians working overseas are authorized to make more than one allotment to financial institutions at no cost to them or to their recipient institutions.

The bill I am introducing would delete the requirement that administrative costs be reimbursed by the financial organization. It would require the Federal Government to absorb all administrative costs incurred in the

Approved For Release 2008/09/08 : CIA-RDP86B00338R000400490015-1

Approved For Release 2008/09/08 : CIA-RDP86B00338R000400490015-1

savings allotment program. In my opinion, the benefits to our economy provided by this legislation far outweigh any additional minimal costs to the Government. Moreover, as with military and overseas DOD personnel, it is already common practice in the private sector to provide such services for employees at no cost to the employees or to their financial institutions.

By way of background, payroll allotments for civilian employees of the Federal Government were established in 1961 (5 U.S.C. 5525). These cost-free allotments were limited to labor dues, charitable contributions, and taxes. The program was expanded in 1965 to permit Federal employees to send allotments to financial institutions, but there was not requirement that the Government impose fees for these services. it was not until 1968 that charges for sending allotments to financial institutions were set by the Department of the Treasury. Under 31 U.S.C. 3332(c), as amended by Public Law 90-365, the Treasury Department was given the authority to establish fees for the two additional allotments sent to financial institutions. An allotment for an employee's regular paycheck has been and continues to be sent at no cost to the employee or the financial institution, since it is considered to be an entitlement to the employee. Incidentally, charges were imposed on the two extra allotments because it was feared that additional allotments might constitute and excessive expense for the Government. However, during the 96th Congress, the Office of Personnel Management concluded otherwise and proposed a rule which would substantially liberalize the use of payroll allotment programs.

During the last Congress, the Department of the Treasury published a Notice of Proposed Rulemaking to increase the service charge for payroll allotments of Federal civilian employees. In response, I introduced H.R. 4703 (97th Congress) to negate the Treasury Department's proposed regulation and to require the Government to provide payroll deductions free-of-charge to all its employees. My Subcommittee on Compensation and Employee Benefits held a hearing on February 4, 1982, and the bill passed the House on April 27, 1982. Following this House action and while the bill was still pending in the Senate, the Department of the Treasury, on June 7, 1982, postponed indefinitely the scheduled fee increase.

Since the beginning of this Congress, my subcommittee staff has been working with staff from the Banking Committee and the Department of the Treasury. The bill I am introducing today is the result of that effort, and I am pleased to report that this bill has the support of the Department of the Treasury, the major credit union associations, and other financial organizations interested in thrift and savings for all Americans.

While this bill benefits the Federal employee, it also provides significant benefits for the American taxpayer and the Government as well. It is a major step forward in assisting the Treasury Department reach its goal over the next decade of having virtually all Federal recurring payments made by direct-deposit electronic fund transfer (EFT). More importantly, by converting the estimated 75 million Federal civilian savings allotments per year to direct-deposit EFT, the Department oif the Treasury projects an annual $4.4 million savings to the Government.

The Payroll Deduction Facilitation Act provides a important benefit to the Federal employee, and it saves the Government money. I ask my colleagues to support it.●

BOYS' CLUBS HONOR BOB HOPE

HON. CARLOS J. MOORHEAD

OF CALIFORNIA

IN THE HOUSE OF REPRESENTATIVES

Tuesday, September 13, 1983

● Mr. MOORHEAD. Mr. Speaker, on September 28, 1983, at the Century Plaza Hotel, the Boys' Clubs of Long Beach, Pasadena, Rio Hondo, and Santa Monica will present their Greater Los Angeles Citizen of the Year Award to Bob Hope.

What can be said about Bob Hope that has not been said many times before. He is, undoubtedly, the most honored man living in our Nation today. He is esteemed by millions for his humor, commonsense, and credibility. He is praised often and appropriately for his countless gifts of time and love and joy to countless persons. He is admired universally for his aplomb, his skill, his energy, and his success.

On thousands of occasions, his facile wit and nimble jests have made us laugh at curselves and our "dire straits." Repeatedly, his humor and his presence have eased our pain and lessened our anxiety. Time after time, in virtually every part of the world, he has been the consummate giver of fun and smiles. For all these virtues, we greatly admire and respect Bob Hope.

But I suspect that beyond and above these wonderful traits, we Americans like Bob Hope most because we simply see him as a very good man.

Who can imagine, for example, Bob Hope screaming about some small slight. Who can imagine him as the outraged demagog or who can imagine him flaying America because it failed to reach perfection and who can imagine a sullen, humorless, divisive Bob Hope.

I certainly cannot. I see a man whose livelihood has been to create warmth and brotherhood, to generate unity and strength. His way has been to lift spirits, to put mirth in the soul and sparkle in the eye. Bob Hope is the kind of man who would put a yellow ribbon down the middle of a muddy road.

I would like to thank Bob Hope and the boys' clubs for their unceasing gifts. They both deal in yellow ribbons. Both are devoted to improving the lives of people, young and old. There is no higher calling.

Mr. Speaker, I would like to take this moment to bring to the attention of my colleagues in the House of Representatives the presentation to Bob Hope of the Greater Los Angeles Citizen of the Year Award by the Boys' Clubs of Long Beach, Pasadena, Rio Hondo, and Santa Monica.●

LIEUTENANT GIBBONS TOP ARMY ROTC GRADUATE

HON. BILL NICHOLS

OF ALABAMA

IN THE HOUSE OF REPRESENTATIVES

Tuesday, September 13, 1983

● Mr. NICHOLS. Mr. Speaker, today it was my privilege to participate in a distinguished presentation in Secretary John Marsh's office in the Pentagon, honoring the top Army ROTC graduate in the United States, Lt. Edward G. Gibbons, Jr. Lieutenant Gibbons is a 1982 graduate of Auburn University in my congressional district, which by every standard of measure, is one of America's finest academic institutions.

Lieutenant Gibbons' academic, military, and leadership achievements at Auburn were singularly outstanding. A history and political science major, he was graduated with high honor, having been selected to the dean's list for academic excellence his last eight quarters. He was elected to numerous honor societies including Phi Kappa Phi, the foremost national scholastic honor society at Auburn and Mortar Board, the national senior scholarship, leadership, and service society. He also received a fully funded Army fellowship for graduate study.

In military leadership and training, Lieutenant Gibbons' achievements are unprecedented at Auburn University and the State of Alabama. Among his many firsts, he was the top ROTC graduate of all cadets from throughout the United States at the 1981 U.S. Army Ranger School; was the honor graduate of the U.S. Army Air Assault School; received the George C. Marshall award as the top cadet at Auburn University; and received the 1982 Governor's Award as the foremost cadet in the State of Alabama.

Lieutenant Gibbons held the position of cadet battalion commander, the highest ROTC leadership position at the university. His leadership and esteem among his classmates of all services also gained him the presidency of all three military honor societies at Auburn.

Approved For Release 2008/09/08 : CIA-RDP86B00338R000400490015-1

Approved For Release 2008/09/08 : CIA-RDP86B00338R000400490015-1

NINETY-EIGHTH CONGRESS

* MARY ROSE OAKAR, OHIO, CHAIR

DOUGLAS H. BOSCO, CALIF.
MICKEY LELAND, TEX.
ROBERT GARCIA, N.Y.

WILLIAM E. DANNEMEYER, CALIF.
CONNIE MACK, FLA.

U.S. House of Representatives

COMMITTEE ON POST OFFICE AND CIVIL SERVICE
SUBCOMMITTEE ON COMPENSATION AND EMPLOYEE BENEFITS
406 CANNON HOUSE OFFICE BUILDING
Washington, D.C. 20515

TELEPHONE (202) 226-7546

HEARING OF THE

SUBCOMMITTEE ON COMPENSATION AND EMPLOYEE BENEFITS

ON H.R. 3879

"THE PAYROLL DEDUCTION FACILITATION ACT"

TUESDAY, OCTOBER 4, 1983

WITNESS LIST

Mr. Russell D. Morris
Assistant Commissioner, Banking and Cash Management
Bureau of Government Financial Operations
U. S. Department of the Treasury

Panel: Colonel George E. Myers (USA-Ret)
Chairman, Coalition Committee of Financial Institution Trade Associations, and
Executive Director, Defense Credit Union Council

Admiral Vincent A. Lascara (USN-Ret)
Member of the Board, and
Chairman, Legislative Committee
National Association of Federal Credit Unions

Mr. Angel Lopez
President, Defense Credit Union Council, and
Representative, Credit Union National Association

Approved For Release 2008/09/08 : CIA-RDP86B00338R000400490015-1

Approved For Release 2008/09/08 : CIA-RDP86B00338R000400490015-1

OPENING STATEMENT OF CONGRESSWOMAN MARY ROSE OAKAR

CHAIR, SUBCOMMITTEE ON COMPENSATION AND EMPLOYEE BENEFITS

HEARING ON H.R. 3879

"THE PAYROLL DEDUCTION FACILITATION ACT"

TUESDAY, OCTOBER 4, 1983

The Subcommittee will come to order.

The purpose of the Subcommittee's hearing this morning is to receive testimony on a bill I have introduced, H.R. 3879, the "Payroll Deduction Facilitation Act."

Under current law (31 U.S.C. 3332), the Government imposes service charges on financial institutions and organizations which receive payroll deductions from federal employees. The law is discriminatory in that these fees only apply to payroll deductions of federal civilian employees. Active and retired military personnel and Department of Defense personnel working overseas may authorize payroll deductions at no cost to them or their recipient financial organizations.

The law requires that federal agencies be reimbursed by the recipient financial institutions for the administrative costs incurred in processing these payroll allotments. The number of deductions an employee can make is limited to three, and the Federal Government absorbs the administrative cost of sending the first check to an employee's designated financial organization. However, if other deductions are made, the law requires that the appropriate federal

Approved For Release 2008/09/08 : CIA-RDP86B00338R000400490015-1

Approved For Release 2008/09/08 : CIA-RDP86B00338R000400490015-1

agency be reimbursed by the financial organization for the administrative costs involved in processing these deductions.

In 1981, the Department of the Treasury proposed regulations to increase the service charge for payroll allotments. In response, I introduced legislation to totally eliminate these fees. A hearing was held and the bill passed the House on April 27, 1982. However, following the House action, the Treasury Department postponed indefinitely the proposed fee increase, and the legislation was never acted upon in the Senate.

The bill before us today, H.R. 3879, consists of two basic parts. The first part, Sections 2 and 3, would eliminate these payroll deduction fees assessed against financial organizations. The second part, Section 4, would amend the Right to Financial Privacy Act of 1978 (12 U.S.C. 3414) by adding a new exception in order to assist the Government in making recurring payments through greater use of direct-deposit electronic fund transfers (EFT's).

I welcome everyone to our hearing, and I thank our witnesses for attending. We look forward to your testimony.

Approved For Release 2008/09/08 : CIA-RDP86B00338R000400490015-1

Approved For Release 2008/09/08 : CIA-RDP86B00338R000400490015-1

DRAFT TESTIMONY
OF
RUSSELL D. MORRIS
ASSISTANT COMMISSIONER,
BANKING AND CASH MANAGEMENT,
BUREAU OF GOVERNMENT FINANCIAL OPERATIONS,
DEPARTMENT OF THE TREASURY,

for a

HEARING
before the
SUBCOMMITTEE ON
COMPENSATION AND EMPLOYEE BENEFITS
of the
COMMITTEE ON
POST OFFICE AND CIVIL SERVICE
HOUSE OF REPRESENTATIVES

Ninety-Eighth Congress
First Session
on
H.R. 3879

"The Payroll Deduction Facilitation Act"

October 4, 1983

Approved For Release 2008/09/08 : CIA-RDP86B00338R000400490015-1

Approved For Release 2008/09/08 : CIA-RDP86B00338R000400490015-1

Thank you Madam Chairwoman.

My name is Russell Morris. I represent the Department of the Treasury as the Assistant Commissioner, Banking and Cash Management, of the Bureau of Government Financial Operations.

I appreciate the opportunity to appear before your Committee on behalf of the Treasury Department to support the "PAYROLL DEDUCTION FACILITATION ACT".

The Bureau of Government Financial Operations is proud of its mission, "to promote the financial integrity of the United States Government through sound money management on behalf of the public." Through the management of the collection of over $600 billion in taxes and other government receipts, the oversight of sound cash management practices for all Federal funds, the disbursement and reconciliation of approximately 700 million Government payments annually, and the central accounting for the government, we provide a wide range of vital services which affect the financial life of a majority of American citizens. The Bureau is firmly committed to working toward its mission efficiently and effectively.

To aid in strategic planning, our Bureau has recently completed, with the assistance of expert practitioners, a forecast of payment and collection techniques over the coming decade. The message we received is clear. Throughout the economy the movement to electronics for making payments and collecting money is growing at an accelerating rate. We have found, for example, that electronic payments offer an appropriate means for controlling the timing of payments to meet the requirements that Congress mandated in the Prompt Payment Act of 1982.

The "PAYROLL DEDUCTION FACILITATION ACT" is designed to improve Government efficiency and aid Treasury in making full use of the advanced technology of Electronic Funds Transfer, to provide uniformity for all Government allotment programs and is consistent with the Administration's goal of standardizing Government financial procedures.

Approved For Release 2008/09/08 : CIA-RDP86B00338R000400490015-1

Approved For Release 2008/09/08 : CIA-RDP86B00338R000400490015-1

Under the current law, which was designed at a time when payments were made almost exclusively by check, the Government is required to collect a fee for each employee allotment to cover the Government's costs. These fees are not appropriate when payments are made electronically. They are also inconsistent with the procedures used for other Government payments and cause confusion within the financial community. Elimination of these charges would also remove the inconsistency that now exists with respect to allotments for military personnel, civilians working overseas and other allotments authorized by the Office of Personnel Management where no fee is charged.

Eliminating these allotment fees will permit savings allotments to be fully integrated into the electronic funds transfer system so the Government can take full advantage of the innovations now going on in the nation's payment system. The fee requirements have effectively prevented inclusion of savings allotments in the electronic funds transfer program because of the substantial administrative burden that would be necessitated by a combination of electronic payments coupled with fees.

The Bill would also amend the Right to Financial Privacy Act to eliminate restrictions on the disclosure by financial institutions of valuable information about the disbursment of EFT payments. With this change a financial organizaton could be called to confirm that it has properly posted an electronic payment to the correct account on behalf of the recipient. It would also assist the financial community and Treasury in resolving those relatively rare situations when an electronic payment goes awry. This amendment will allow financial institutions to send to Treasury information similar to the information Treasury gets from a cancelled check. This will help us quickly assure that the payment is made available to the person to whom it is due, and prevent the hardships associated with payments that do not arrive on time. This enhances our ability to accomplish one of our major goals in using EFT -- that is to eliminate the problems associated with lost or stolen checks.

We are experiencing a rapid expansion in the use of electronic payments. In FY 1982, a total of 200 million payments were made by electronic means, and by the end of the FY 1983, 25 million more payments will be added to the rolls. This makes it even more critical that every payment reach its intended recipient on the day it is due. The Bill provides the necessary means for the Government to ensure that every payment is fully traceable, and that problems affecting the public can be resolved in the most expeditious manner.

Approved For Release 2008/09/08 : CIA-RDP86B00338R000400490015-1

Approved For Release 2008/09/08 : CIA-RDP86B00338R000400490015-1

The Bill will also aid agencies of the Government in maintaining contact with individuals paid through the Direct Deposit program. This Bill, because it would allow agencies to request the address from the financial institution where the payment is being sent, will help the Government in two ways: First, we will be better able to stay in contact with individuals and keep them informed of program changes that may affect them, and second, it will assist us in learning when someone has died, and prevent erroneous payments.

In summary, Madam Chairwoman, the Department of the Treasury fully subscribes to the statements you made in introducing the Payroll Deduction Facilitation Act on September 13. That is, we agree that this Bill, if enacted, would encourage thrift, contribute to the improvement of our economy, enable the government to operate more efficiently, eliminate an inequitable and confusing inconsistency and help pave the way for the Government to participate in the electronic revolution that is sweeping the financial industry.

Madam Chairwoman, this concludes my formal remarks. I appreciate the opportunity to lend Treasury's support to this legislation and I welcome the chance to respond to questions from you and your Committee.

Approved For Release 2008/09/08 : CIA-RDP86B00338R000400490015-1

Approved For Release 2008/09/08 : CIA-RDP86B00338R000400490015-1

STATEMENT OF

COLONEL GEORGE E. MYERS, USA-RET.

CHAIRMAN

COALITION COMMITTEE OF FINANCIAL INSTITUTION TRADE ASSOCIATIONS

AND EXECUTIVE DIRECTOR,

DEFENSE CREDIT UNION COUNCIL

ON

FEDERAL CIVILIAN EMPLOYEE ALLOTMENT FEES

BEFORE THE

COMMITTEE ON POST OFFICE AND CIVIL SERVICE

SUBCOMMITTEE ON COMPENSATION AND EMPLOYEE BENEFITS

U.S. HOUSE OF REPRESENTATIVES

WASHINGTON, D.C.

OCTOBER 4, 1983

Approved For Release 2008/09/08 : CIA-RDP86B00338R000400490015-1

Approved For Release 2008/09/08 : CIA-RDP86B00338R000400490015-1

STATEMENT OF

COLONEL GEORGE E. MYERS, USA-RET.

MADAM CHAIR AND MEMBERS OF THE SUBCOMMITTEE, I APPRECIATE THE OPPORTUNITY TO TESTIFY ON H.R. 3879, THE PAYROLL DEDUCTION FACILITATION ACT. THIS BILL CORRESPONDS TO SIMILAR LEGISLATION INTRODUCED BY THE CHAIR DURING THE LAST SESSION, H.R. 4703. IN ABOLISHING THE FEE FOR FEDERAL CIVILIAN EMPLOYEE ALLOTMENTS, YOUR LEGISLATION WILL BE PLACING THOSE EMPLOYEES ON THE SAME FOOTING WITH OTHER GOVERNMENT EMPLOYEES AND MOST OF THE PRIVATE SECTOR.

I AM APPEARING TODAY ON BEHALF OF THE COALITION COMMITTEE OF FINANCIAL INSTITUTIONS. THIS LEGISLATION HAS THE STRONG SUPPORT OF BANKS, SAVINGS AND LOANS AND CREDIT UNIONS. YOUR LEADERSHIP ON THIS LEGISLATION IS GREATLY APPRECIATED.

ALTHOUGH LAST YEARS LEGISLATION DIED IN THE SENATE, IT WAS INSTRUMENTAL IN SECURING AGREEMENT FROM THE DEPARTMENT OF TREASURY, TO POSTPONE INDEFINITELY A PROPOSED DOUBLING OF THE FEE THAT MUST BE PAID TO THE GOVERNMENT FOR THESE VERY ALLOTMENTS.

Approved For Release 2008/09/08 : CIA-RDP86B00338R000400490015-1

Approved For Release 2008/09/08 : CIA-RDP86B00338R000400490015-1

THE COALITION OF FINANCIAL TRADE ORGANIZATIONS HAS BANDED TOGETHER TO END THIS DISCRIMINATION AGAINST FEDERAL CIVILIAN EMPLOYEES. THE COALITION WAS FORMED IN 1978 TO PARTICIPATE IN A COMPTROLLER GENERAL'S STUDY OF THE PAYROLL ALLOTMENT PROGRAM. THAT STUDY MADE AS ONE OF ITS RECOMMENDATIONS THE SUGGESTION THAT CONGRESS STUDY "ABOLISHING THE EXISTING CHARGES FOR CIVILIAN ALLOTMENTS."

I WAS ASSOCIATED WITH THE 1968 EFFORTS TO OBTAIN LEGISLATION AUTHORIZING FEDERAL CIVILIAN EMPLOYEES TO MAKE ALLOTMENTS FOR SAVINGS. AT THAT TIME THE TREASURY DEPARTMENT OPPOSED THE LEGISLATION BECAUSE, AMONG OTHER REASONS, IT ANTICIPATED COMPETITION FOR ITS SAVINGS BOND PROGRAM. ANY CHANGE, HOWEVER, IN THE POPULARITY OF THE SAVINGS BOND PROGRAM CANNOT BE ATTRIBUTED, IN MY OPINION, TO THE ALLOTMENT PROGRAM.

AS RECENTLY AS LAST YEAR, THE TREASURY DEPARTMENT CONTINUED TO EXPRESS OPPOSITION TO ELIMINATION OF THE FEE FOR PAYROLL ALLOTMENTS. THEY ARGUED AT THAT TIME THAT A "USER FEE" WAS JUSTIFIED AND THAT ELIMINATION OF THE RESTRICTION ON THE NUMBER OF ALLOTMENTS WOULD TAX THE GOVERNMENT PAYROLL SYSTEMS UNNECESSARILY.

Approved For Release 2008/09/08 : CIA-RDP86B00338R000400490015-1

Approved For Release 2008/09/08 : CIA-RDP86B00338R000400490015-1

AS CHAIRMAN OF THE COALITION I AM EXTREMELY PLEASED THAT THE TREASURY DEPARTMENT HAS RECONSIDERED ITS POSITION AND IS PREPARED AT THIS TIME TO ENDORSE THE LEGISLATION BEFORE THIS COMMITTEE. IT IS THE STRONGEST RECOGNITION OF THE BENEFICIAL ROLE THAT ALLOTMENTS PLAY IN CREATING A NATIONAL POOL OF SAVINGS AND PROVIDING FOR INDIVIDUAL FEDERAL EMPLOYEE SECURITY AND FINANCIAL WELL-BEING.

MADAM CHAIR AND MEMBERS OF THE SUBCOMMITTEE, I AM NOT GOING TO CLAIM THAT PASSAGE OF THIS BILL WILL RESULT IN ADDITIONAL ALLOTMENTS AND INCREASED SAVINGS; THAT IS SIMPLY TOO HARD TO PREDICT. I, AND OTHER MEMBERS OF THE COALITION, BELIEVE, HOWEVER, THAT IT WILL STRENGTHEN THE ALLOTMENT PROGRAM.

FIRST, THE LEGISLATION STANDARDIZES THE GOVERNMENTS ALLOTMENT POLICY. CONSIDER, FROM A PRACTICAL STANDPOINT, WHY THE GOVERNMENT REQUIRES FEDERAL EMPLOYEES IN THIS COUNTRY TO PAY A FEE FOR ALLOTMENTS WHILE ALLOWING THOSE OVERSEAS TO ALLOCATE THEIR PAY WITHOUT CHARGE. IT SIMPLY DOES NOT ANSWER THE QUESTION TO SUGGEST THAT THE RECIPIENT FINANCIAL INSTITUTIONS SOMEHOW RECEIVE BENEFITS THEY SHOULD BE WILLING TO PAY FOR. WHICH BRINGS UP THE SECOND POINT. FINANCIAL INSTITUTIONS CURRENTLY PAY 6¢ FOR EACH ALLOTMENT THEY RECEIVE AND OVER 20¢ FOR THE COMPOSITE ALLOTMENT CHECK. THUS, IN

Approved For Release 2008/09/08 : CIA-RDP86B00338R000400490015-1

Approved For Release 2008/09/08 : CIA-RDP86B00338R000400490015-1

ORDER FOR A FEDERAL EMPLOYEE TO ALLOCATE HIS PAY TO SAVINGS, THE RECEIVING FINANCIAL INSTITUTION HAS TO PAY TO RECEIVE THE MONEY AND THAT PAYMENT MUST COME FROM THE FUNDS OTHERWISE AVAILABLE FOR INTEREST AND DIVIDENDS. THOSE SUBTLE COSTS INEVITABLY DISCOURAGE SOME FINANCIAL INSTITUTIONS AND MANY INDIVIDUALS FROM MAKING ALLOTMENTS. THIS DIRECTLY AND INDIRECTLY AFFECTS THE NATIONAL POLICY OF ENCOURAGING SAVINGS THROUGH ALLOMENTS, AND, TO SOME DEGREE, EVEN THE DIRECT DEPOSIT PROGRAM.

MADAM CHAIR, AND THE MEMBERS OF THE SUBCOMMITTEE, THE SUPPORT FOR THIS BILL IS BROAD BASED. THE REASONS FOR THAT SUPPORT WILL BE DISCUSSED IN GREATER DETAIL BY THE OTHER WITNESSES ON THE PANEL. ALL ARE MEMBERS OF THE COALITION COMMITTE SUPPORTING THIS MEASURE. AND I WOULD LIKE TO TAKE THIS OPPORTUNITY TO INTRODUCE THEM. MR. ANGEL LOPEZ IS THE PRESIDENT OF DEFENSE CREDIT UNION COUNCIL. HE IS SPEAKING TODAY ON BEHALF OF BOTH THE DEFENSE COUNCIL AND THE CREDIT UNION NATIONAL ASSOCIATION. AND ADMIRAL VINCE LASCARA, PRESIDENT, NAVY FEDERAL CREDIT UNION IS REPRESENTING THE NATIONAL ASSOCIATION OF FEDERAL CREDIT UNIONS. WHILE THESE WITNESSES ALL HAPPEN TO REPRESENT CREDIT UNION ORGANIZATIONS, I WISH TO EMPHASIZE AGAIN THAT THIS BILL IS THE RESULT OF THE ORGANIZED AND UNITED EFFORTS OF THE COALITION COMMITTEE

Approved For Release 2008/09/08 : CIA-RDP86B00338R000400490015-1

Approved For Release 2008/09/08 : CIA-RDP86B00338R000400490015-1

COMPOSED OF BANKS, MUTUAL SAVINGS BANKS, SAVINGS AND LOAN ASSOCIATIONS AS WELL AS CREDIT UNIONS.

ON BEHALF OF THE ENTIRE COALITION COMMITTEE, I URGE YOU TO ELIMINATE THE PRESENT INEQUITY IN THE ALLOTMENT PROGRAM AND TO SUPPORT THE GOVERNMENTS SAVINGS EFFORTS BY PROVIDING A UNIFORM, CONSISTENT ALLOTMENT SERVICE TO OUR FEDERAL CIVILIAN EMPLOYEES BY REPORTING THIS BILL, H.R. 3879, FAVORABLY.

THANK YOU.

Approved For Release 2008/09/08 : CIA-RDP86B00338R000400490015-1

Approved For Release 2008/09/08 : CIA-RDP86B00338R000400490015-1

NAFCU

National Association of Federal Credit Unions

P.O. Box 3769
Washington, DC 20007

703/522-4770

Statement of Vincent A. Lascara

On behalf of the

National Association of Federal Credit Unions

Before the

Subcommittee on Compensation and Employee Benefits

Of the

Committee on Post Office and Civil Service

United States House of Representatives

Regarding

H.R. 3879

The Payroll Deduction Facilitation Act of 1983

October 4, 1983

Approved For Release 2008/09/08 : CIA-RDP86B00338R000400490015-1

Approved For Release 2008/09/08 : CIA-RDP86B00338R000400490015-1

Representative Oakar and Members of the sumcommittee, I am Vincent A. Lascara, a member of the board of the National Association of Federal Credit Unions (NAFCU) and chairman of NAFCU's Legislative Committee. I also serve as President of Navy Federal Credit Union. The National Association of Federal Credit Unions (NAFCU) is the only national organization exclusively representing the interests of credit unions chartered by the federal government. There are 11,412 Federal credit unions throughout the country whose 26 million members hold more than 41.3 billion dollars in savings. As of December 31, 1982, 788 Federal credit unions served fields of membership composed principally of "federal government" employees -- 567 Federal credit unions serving civilian federal employees, and 221 Federal credit unions serving members of the military forces. These credit unions, collectively, held over 12.3 billion dollars in assets.

I appreciate the opportunity to appear before your subcommittee today and to speak in support of H.R. 3879. This bill would require the federal government to provide payroll deduction allotments under the savings allotment program at no cost to the federal employee or the recipient financial institution. At the outset, let me say that NAFCU strongly encourages positive action on this bill. In fact, more than 200 Federal credit union members and officials meeting in Washington last year unanimously endorsed the principles that underlie this legislation.

Madam Chair and Members of the subcommittee, the issue being discussed today is of crucial importance to credit unions whose memberships include approximately 8.1 million federal civilian employees. Every credit union chartered by the federal government has a statutory mandate to promote thrift. (12 USC 1752(1)). From their very beginnings, credit unions have carried out this Congressional mandate by encouraging their members to build a strong savings program through systematic deductions from their pay. This philosophy, truly the backbone of the credit union industry, has helped instill in millions of individuals the importance of saving. Since the Federal Credit Union Act was adopted in 1934, Federal credit unions have provided their members with a convenient and easy method to build consumer savings. The legislation under consideration today would

Approved For Release 2008/09/08 : CIA-RDP86B00338R000400490015-1

Approved For Release 2008/09/08 : CIA-RDP86B00338R000400490015-1

ensure that there are no unnecessary impediments placed in the way of continuing to provide this valuable service to credit union members. We are here today to encourage this subcommittee to endorse H.R. 3879 as a statement of support for personal savings.

EXISTING FEES

Currently, Title 31 of the United States Code, Section 492(b), calls for financial institutions to reimburse agency costs for the sending of allotment checks to savings accounts at financial institutions. Only the allotments of federal civilian employees located in the United States are affected by this regulation. As you know, the federal government will absorb the administrative cost of sending one allotment per pay period to an employee's designated financial institution, but the appropriate federal agency must be reimbursed by the recipient financial institution for any administrative cost incurred in processing additional savings allotments.

The Department of the Treasury was given the authority to establish and collect these service charges in 1968. At that time the charges were set at six cents for each individual payroll deduction and twelve cents for each check sent to a financial institution. This cost is presently incurred by many financial institutions -- including 84% of our nation's credit unions -- even though in some cases it would be easier and less burdensome not to receive the deposit in this manner.

REASON FOR FEES

Payroll deductions for saving grew out of a desire to help employees establish a stable savings program. In 1961, the first allotments for federal civilian employees were permitted at no charge to the employee for the specific purposes of labor dues, taxes, and charitable contributions. Congressional wisdom expanded this program in 1965 to allow allotments for other purposes, again without charge. In 1968, however, the Treasury Department was given the authority to charge a fee for any allotments beyond

Approved For Release 2008/09/08 : CIA-RDP86B00338R000400490015-1

Approved For Release 2008/09/08 : CIA-RDP86B00338R000400490015-1

the first one. Employees are permitted to designate up to three allotments with charges incurred on the second and third. The rationale for imposing these fees grew out of a fear that these additional allotments would constitute an excessive burden on the federal government.

CREDIT UNIONS AND PAYROLL DEDUCTIONS

Credit unions have long been in the forefront of encouraging saving through payroll deductions. Most employers in the private sector provide this service at no cost to their employees or to the recipient financial institution. The federal government conspicuously stands out as one of the few employers which charge a fee for allotments. In addition, both active duty and retired military personnel, as well as civilians working overseas, are currently exempted from any charges for allotments. Federal civilian employees located in the United States are the single group of employees chosen to bear this burden either directly or indirectly. In the case of cooperative institutions, such as credit unions, these employees must bear the cost alone or share it with other members of the credit union. If the government employee is personally charged that employee may be discouraged from saving. If, on the other hand, the credit union absorbs the cost of allotment fees, then every member of the credit union may be subjected to higher loan rates or lower dividends to offset this expense. The federal government should follow the lead of the private sector and do everything possible to actively encourage convenient methods of saving.

ADMINISTRATION POLICY

Since assuming office, this Administration has constantly elaborated upon the goal of increasing savings in order to curb inflation. Much has been said of reversing the trend from subsidizing the borrower to rewarding the saver. The Economic Recovery Tax Act of 1981 contained numerous provisions aimed solely at encouraging increased saving. Boosting the savings rate, it has been said, will lead to a reduction of inflation and a lowering of interest rates.

Approved For Release 2008/09/08 : CIA-RDP86B00338R000400490015-1

Approved For Release 2008/09/08 : CIA-RDP86B00338R000400490015-1

During the last Congress legislation was adopted to provide an effective method of generating new savings by the liberalizing of rules governing eligibility for and contributions to Individual Retirement Accounts. Yet one of the keys to the success of expanded IRA programs is the attractiveness of establishing, through routine payroll deductions, a responsible habit of saving for retirement. The present allotment fee structure may be viewed as an impediment to loyal federal employees who wish to establish responsible savings habits. With positive Congressional action on H.R. 3879 these impediments can be overcome and employers, employees and financial institutions, working in concert, will have the tools necessary to create a clear opportunity to create new savings through the use of payroll allotments.

INEQUITABLE TREATMENT

Private business treats payroll deductions as an ordinary cost of doing business. Individuals directly employed by the federal government should be accorded the same treatment. The federal government should not ignore its responsibility to its own employees.

The federal government, as the employer, should assume the full cost and responsibility involved in the distribution of pay to its employees. The federal government, rather than discouraging savings, should be doing all in its power to encourage personal savings -- which we believe is the government's policy.

Last year, when the Department of the Treasury proposed doubling the cost for each deduction from six cents to twelve cents and raising the remittance fee to twenty-seven cents a cry of protest was heard throughout the country. Many credit unions wrote to the Secretary of the Treasury opposing the proposed allotment charge increase. A majority pointed out that the credit union, in fairness to other members, would no longer be able to absorb the increased allotment fee cost. As a result, individual members would have been forced to bear the cost -- and this could have discouraged many from establishing any systematic savings program.

Approved For Release 2008/09/08 : CIA-RDP86B00338R000400490015-1

Approved For Release 2008/09/08 : CIA-RDP86B00338R000400490015-1

One credit union, VAH Northport Federal Credit Union, wrote: "We receive payroll allotments from New York Telephone Company, Rockefeller Plaza, Singer Company, Sperry Rand, and the State of New York, all on a free basis." McGuire Public Employees Federal Credit Union responded to the proposal: "...no other institution except the Treasury Department charges financial institutions for receiving money from their customers/ members."

Northeast Federal Credit Union responded: the "level of savings is a national disgrace...and you are doing your utmost to thwart increased savings...the federal government shouldn't have its payroll costs subsidized by the financial community any more than an industrial employer gets his processing costs reimbursed by outside recipients."

Actions Taken in the 97th Congress

Representative Oakar, you are to be commended for your valiant and successful efforts to defer any increase in allotment fees last year. Such an increase would, I am certain, have been counter-productive.

NAFCU was pleased to testify before this subcommittee on February 4 of last year, and before a House Banking subcommittee a few weeks later, in support of legislation you introduced repealing all allotment fees. That bill, H.R. 4703, was approved on April 27, 1982 by the full House, amended to limit the number of free allotments per pay period to three.

Although H.R. 4703 was never acted upon by the Senate, it did get the attention of key policy-makers in the Senate as well as at the Treasury Department.

The Senate Report (S.Rpt. 97-402) to accompany last year's urgent supplemental appropriations bill (H.R. 5922), dated May 18, 1982, contained the following admonition to Treasury:

> On May 22, 1981, the Treasury Department published a notice of proposed rulemaking to increase the service charge for allotments of pay to savings accounts of Federal civilian employees. Under the proposal, service charges would increase from 6 to 12 cents for each individual payroll allotment and from 12 to 27 cents for each check sent to a financial institution. The proposed implementation date of the new rule increasing the payroll allotment fees is May 31, 198

Approved For Release 2008/09/08 : CIA-RDP86B00338R000400490015-1

Approved For Release 2008/09/08 : CIA-RDP86B00338R000400490015-1

Apparently, the private sector charges less than the current fee schedule for similar services. Therefore, the Committee strongly urges the Department to postpone the increased charge and to find ways in which it can provide these services on a more efficient basis.

The following day Senators Jake Garn (R-UT), John Chafee (R-RI) and Ted Stevens (R-AK) wrote to Treasury Secretary Regan, noting that:

> ...such allotment programs can be administered by the private sector for less than the current fee schedule. Thus support for the fee increase must be viewed as support for subsidizing government inefficiency...

Responding to these expressions of Congressional concern, the Treasury Department announced on May 28, 1982 that it was postponing indefinitely any increase in allotment fees.

NAFCU Supports Eliminating Allotment Fees

NAFCU endorses H.R. 3879 and the elimination of any charges for payroll allotments. Technical advancements have reduced agency costs since allotment fees were first imposed in 1968. Through the utilization of more sophisticated electronic delivery systems, the administrative costs associated with the federal employee allotment program should have now been substantially reduced. We believe that a convincing case has been made for the total elimination of such fees. Therefore, we urge prompt and favorable action on H.R. 3879, the "Payroll Deduction Facilitation Act of 1983".

Summary

The National Association of Federal Credit Unions is supportive of any responsible effort that can be made to reduce unnecessary costs of government operations. The private sector has traditionally offered payroll allotment service to its employees without charge. Active duty and retired military personnel as well as civilian federal government employees overseas also receive this service at no cost. Only federal civilian employees located in the United States are required to pay for payroll allotments.

Approved For Release 2008/09/08 : CIA-RDP86B00338R000400490015-1

Approved For Release 2008/09/08 : CIA-RDP86B00338R000400490015-1

No employee, and least of all a public servant, should be compelled to pay a fee in order to save. The National Association of Federal Credit Unions, therefore, endorses prompt action by this subcommittee and the Congress to abolish the fee on payroll deduction allotments. The vehicle necessary to achieve this important goal is before the subcommittee today in the form of H.R. 3879 the "Payroll Deduction Facilitation Act of 1983". I urge each member of this subcommittee to demonstrate a clear commitment to a healthy economy and an increased savings rate by actively supporting this measure. I, and the more than 9.2 million individual credit union members represented by the National Association of Federal Credit Unions would like to extend our appreciation to Representative Oakar for all that she has done to pursue this beneficial goal.

I thank the subcommittee for the opportunity to appear before you today, and will be pleased to respond to any questions you might have at this time.

Approved For Release 2008/09/08 : CIA-RDP86B00338R000400490015-1

Approved For Release 2008/09/08 : CIA-RDP86B00338R000400490015-1

STATEMENT OF

ANGEL LOPEZ

PRESIDENT, DEFENSE CREDIT UNION COUNCIL

ON BEHALF OF

DEFENSE CREDIT UNION COUNCIL

AND

CREDIT UNION NATIONAL ASSOCIATION

ON

ALLOTMENT FEES FOR FEDERAL CIVILIAN EMPLOYEES

BEFORE THE

SUBCOMMITTEE ON COMPENSATION AND EMPLOYEE BENEFITS

COMMITTEE ON POST OFFICE AND CIVIL SERVICE

U.S. HOUSE OF REPRESENTATIVES

WASHINGTON, D.C.

OCTOBER 4, 1983

Approved For Release 2008/09/08 : CIA-RDP86B00338R000400490015-1

Approved For Release 2008/09/08 : CIA-RDP86B00338R000400490015-1

STATEMENT OF ANGEL LOPEZ
PRESIDENT, DEFENSE CREDIT UNION COUNCIL

GOOD DAY. I AM ANGEL LOPEZ, PRESIDENT OF THE DEFENSE CREDIT UNION COUNCIL (DCUC) AND MANAGER OF THE CREDIT UNION I, CHANUTE AIR FORCE BASE, RANTOUL, ILLINOIS. THE DEFENSE COUNCIL IS THE NATIONAL TRADE ASSOCIATION REPRESENTING 384 CREDIT UNIONS WHOSE MEMBERSHIP CONSISTS WHOLLY OR IN PART OF PERSONNEL OF THE DEPARTMENT OF DEFENSE, BOTH MILITARY AND CIVILIAN. DEFENSE CREDIT UNIONS ARE LOCATED IN 49 OF THE 50 UNITED STATES AND SERVE MILITARY AND CIVILIAN EMPLOYEES OF THE FEDERAL GOVERNMENT THROUGHOUT THE WORLD WHEREVER THEY ARE LOCATED. I ALSO APPEAR TODAY ON BEHALF OF THE CREDIT UNION NATIONAL ASSOCIATION (CUNA), THE NATIONAL TRADE ASSOCIATION SERVING MORE THAN 19,000 STATE AND FEDERALLY CHARTERED CREDIT UNIONS THROUGHOUT THE UNITED STATES THROUGH 52 MEMBER CREDIT UNION LEAGUES.

THE DEFENSE COUNCIL AND CUNA HAVE WORKED CLOSELY WITH THE COALITION TO OBTAIN CONGRESSIONAL RECONSIDERATION OF THE POLICY OF CHARGING FEES FOR FEDERAL CIVILIAN ALLOTMENTS. WE STRONGLY SUPPORTED YOUR BILL LAST YEAR AND LOOK FORWARD TO WORKING WITH YOU AND THE MEMBERS OF THIS SUBCOMMITTEE TO ENSURE PASSAGE OF THE PAYROLL DEDUCTIONS FACILITATION ACT (H.R. 3879).

Approved For Release 2008/09/08 : CIA-RDP86B00338R000400490015-1

Approved For Release 2008/09/08 : CIA-RDP86B00338R000400490015-1

THIS BILL ACCOMPLISHES TWO THINGS. FIRST, IT PROHIBITS CHARGES FOR ALLOTMENTS. WE ARE PLEASED THAT THE PROHIBTION IS EXPLICIT AS IT WILL END ANY QUESTION ABOUT CHARGES FOR ALLOTMENTS. SECOND, THE PRIVACY ACT AMENDMENT LIMITS THE TRANSFERS OF INFORMATION PERMITTED UNDER THE ACT TO THOSE CLEARLY NECESSARY "TO CARRY OUT THE DISBURSING FUNCTION." THUS, THE SAFEGUARDS OF THE PRIVACY ACT REMAIN INTACT.

THESE CHANGES WOULD BRING THE PAYROLL PRACTICES OF THE FEDERAL GOVERNMENT TOWARD ITS CIVILIAN EMPLOYEES IN LINE WITH THE PRIVATE SECTOR AND ALSO IN LINE WITH PRACTICES TOWARD OTHER FEDERAL EMPLOYEES. ALTHOUGH IT IS DIFFICULT TO ESTIMATE THE IMPACT ON SAVINGS THAT THIS BILL MAY HAVE, IT IS CERTAIN THAT THE COST OF THESE ALLOTMENTS TO CREDIT UNIONS CAN NOW BE RETURNED TO OUR MEMBERS IN THE FORM OF INCREASED DIVIDENDS AND LOWER LOAN RATES.

CREDIT UNIONS HAVE PROVIDED THE FULL RANGE OF FINANCIAL SERVICES TO THEIR MEMBERS FOR YEARS. ALLOTMENTS FOR MILITARY PERSONNEL WERE FIRST AUTHORIZED BY CONGRESS IN 1899. CONGRESS HAS NEVER LEVIED A CHARGE FOR THIS SERVICE.

ALLOTMENTS FOR CIVILIAN EMPLOYEES OF THE FEDERAL GOVERNMENT WERE NOT AUTHORIZED UNTIL 1961. A CHARGE WAS NOT REQUIRED UNTIL 1968.

Approved For Release 2008/09/08 : CIA-RDP86B00338R000400490015-1

Approved For Release 2008/09/08 : CIA-RDP86B00338R000400490015-1

ALLOTMENTS ARE THE LIFE BLOOD OF THE SAVINGS PROGRAMS OF MOST MILITARY PERSONNEL AND CIVILIAN EMPLOYEES OF THE FEDERAL GOVERNMENT. IN OUR TESTIMONY LAST YEAR ON H.R. 4703 WE SUBMITTED THE RESULTS OF CUNA'S SURVEY ON PARTICIPATION IN ALLOTMENT PROGRAMS. 97% OF THE MORE THAN 1,100 CREDIT UNIONS SERVING MEMBERS OF THE MILITARY AND FEDERAL CIVILIAN EMPLOYEES REPORTED RECEIVING ALLOTMENTS. ALLOTMENTS ARE "EAR-MARKED" BY EMPLOYEES FOR SPECIAL PURPOSES SUCH AS SAVINGS. THE DIRECT DEPOSIT PROGRAM, FOR WHICH THERE ARE NO CHARGES, BY CONTRAST, FOCUSES ON THE DEPOSIT OF THE ENTIRE CHECK.

WE SUPPORT THE PAYROLL DEDUCTION FACILITATION ACT BECAUSE IT ADDRESSES AN INEQUITY IN THE CURRENT SYSTEM. NO OTHER BENEFIT, SALARY OR ENTITLEMENT PAYMENT BY THE GOVERNMENT IS SUBJECT TO A CHARGE TO EITHER THE EMPLOYEE, RECIPIENT OR RECEIVING THIRD PARTY. A 1978 GAO ALLOTMENT STUDY, LOOKED AT THE VARIOUS PROGRAMS AND DETERMINED THAT THE "BENEFITS (OF ALLOTMENTS) ARE BASICALLY THE SAME." IT FOUND THAT THERE WAS AN IDENTIFIABLE VALUE TO "THE FEDERAL GOVERNMENT AS AN EMPLOYER, THE EMPLOYEE, AND THE FINANCIAL ORGANIZATIONS." IN INTRODUCING AND CONSIDERING THIS LEGISLATION THE CHAIR AND THIS SUBCOMMITTEE IMPLEMENTS THE GAO STUDY'S RECOMMENDATION THAT CONGRESS REVIEW THE APPROPRIATENESS OF CHARGES FOR ALLOTMENTS.

Approved For Release 2008/09/08 : CIA-RDP86B00338R000400490015-1

Approved For Release 2008/09/08 : CIA-RDP86B00338R000400490015-1

THE PRESENT POLICY OF CHARGING FOR ALLOTMENTS TO FEDERAL CIVILIAN EMPLOYEES IS MOST OBVIOUSLY INCONSISTENT IN THE DEFENSE CREDIT UNION -- WHERE TWO CREDIT UNION MEMBERS -- ONE ON ACTIVE DUTY, THE OTHER A CIVILIAN -- MAY WORK SIDE-BY-SIDE, DOING IDENTICAL JOBS WITH SIMILAR ALLOTMENTS, ONE OF WHICH THEIR CREDIT UNION MUST PAY TO RECEIVE.

WE ARE CONFIDENT THAT CONGRESS IS GENERALLY PLEASED WITH THE ACCEPTANCE OF ALLOTMENTS BY FEDERAL EMPLOYEES AND MEMBERS OF THE MILITARY. IN RETAINING THE PRESENT LIMITATION ON THE NUMBER OF ALLOTMENTS, THE PAYROLL DEDUCTIONS FACILITATION ACT ADDRESSES ONE OF THE MAJOR CONCERNS EXPRESSED BY THE DEPARTMENT OF THE TREASURY LAST YEAR. ALTHOUGH WE DO NOT FEEL IT LIKELY THAT EMPLOYEES WOULD BURDEN THE FEDERAL PAYROLL SYSTEM BY ESTABLISHING A LARGE NUMBER OF ALLOTMENTS, WE FEEL THAT THE CONTINUING LIMITATION ON THE NUMBER OF ALLOTMENTS WILL NOT IMPOSE AN UNDUE HARDSHIP ON FEDERAL EMPLOYEES.

OUR SURVEY OF ALLOTMENTS SHOWED THAT THE PRIVATE SECTOR GENERALLY CONSIDERS ALLOTMENTS AN EMPLOYEE FRINGE BENEFIT. THE BENEFITS TO EMPLOYEES ARE OBVIOUS. ALLOTMENTS CREATE A MORE FINANCIALLY STABLE WORK FORCE WITH A BETTER MORALE, BETTER WORK HABITS, BETTER SAFETY RECORDS AND IMPROVED EFFICIENCY. STRONG CREDIT UNION SAVINGS PROGRAMS

Approved For Release 2008/09/08 : CIA-RDP86B00338R000400490015-1

Approved For Release 2008/09/08 : CIA-RDP86B00338R000400490015-1

COUNSELING THROUGH THE CREDIT UNION ARE THE MOST EFFECTIVE WAY TO COMBAT THE FINANCIAL STRESS FELT BY FEDERAL EMPLOYEES.

STRONG EMPLOYEE SAVINGS PROGRAMS ARE ENCOURAGED THROUGH ALLOTMENTS. THESE SAVINGS PROGRAMS ALLOW EMPLOYEES TO BE ABLE TO BETTER MEET PERSONAL FINANCIAL EMERGENCIES. IN ADDITION, PERMANENT FINANCIAL SECURITY THROUGH INDIVIDUAL RETIREMENT ACCOUNTS IS NOW MORE POSSIBLE DUE TO RECENT CHANGES IN TAX LAWS. CREDIT UNION IRA ACCOUNTS ARE GENERALLY FUNDED BY ALLOTMENTS. IN THE PAST YEAR MILLIONS OF SUCH ACCOUNTS WERE CREATED AT THE NATION'S 1,100 CREDIT UNIONS SERVING FEDERAL CIVILIAN EMPLOYEES AND MEMBERS OF THE MILITARY.

WE, THE NATION'S NEARLY 400 DEFENSE CREDIT UNIONS, AND CREDIT UNIONS SERVING THE OTHER FEDERAL CIVILIAN EMPLOYEES TAKE GREAT PRIDE IN OUR RECORD OF HELPING MILITARY AND CIVILIAN EMPLOYEES AT THE DEPARTMENT OF DEFENSE AND OTHER GOVERNMENT AGENCIES MEET THE FINANCIAL STRAINS EACH FACES. WE ARE KEENLY AWARE OF OUR COOPERATIVE NATURE AND RESPONSIVE TO DEMANDS CREATED BY OUR MUTUAL OWNERSHIP. WE HAVE ESTABLISHED PROGRAMS THROUGHOUT OUR CREDIT UNION SYSTEM TO PROVIDE CREDIT COUNSELING AND OTHER ASSISTANCE TO HELP MEET THIS OBLIGATION TO OUR MEMBERS. WHERE, DESPITE THIS ASSISTANCE, A MEMBER TAKES THE EASY WAY OUT THROUGH PERSONAL BANKRUPTCY, WE ARE

Approved For Release 2008/09/08 : CIA-RDP86B00338R000400490015-1

Approved For Release 2008/09/08 : CIA-RDP86B00338R000400490015-1

CONFIDENT, THE RESULT COULD HAVE BEEN AVOIDED IN MOST CASES WITH A STRONG ALLOTMENT FUNDED SAVINGS PROGRAM.

IT IS IMPORTANT TO REMEMBER THAT THE NATIONAL ECONOMY BENEFITS FROM STRONG SAVINGS PROGRAMS. WHILE IT IS DIFFICULT TO DETERMINE THE PRECISE INCREASE IN SAVINGS THAT WILL OCCUR IF THIS BILL IS ENACTED, I AM CONFIDENT THAT THE ADDITIONAL CREDIT UNION INCOME WILL BE RETURNED TO OUR MEMBERS IN THE FORM OF INCREASED DIVIDENDS AND LOWER INTEREST RATES ON LOANS. ALLOTMENTS MATERIALLY CONTRIBUTE TO THE WORKING PUBLIC'S ABILITY AND WILLINGNESS TO SAVE. THIS BILL WILL MAKE THE ALLOTMENT PROGRAM MORE ATTRACTIVE TO OUR CREDIT UNIONS AND TO THEIR MEMBERS.

I WISH TO THANK YOU MADAM CHAIR, FOR INTRODUCING THIS LEGISLATION AND PROMPTLY CONVENING THESE HEARINGS. WE URGE THE MEMBERS OF THE SUBCOMMITTEE TO SUPPORT THIS LEGISLATION AND REPORT IT FAVORABLY. THIS IS A BILL THAT BENEFITS THE FEDERAL EMPLOYEE, THE FEDERAL GOVERNMENT AS AN EMPLOYER IN THE NATION'S ECONOMY AS WELL.

I WOULD BE PLEASED TO RESPOND TO YOUR QUESTIONS.

Approved For Release 2008/09/08 : CIA-RDP86B00338R000400490015-1

Approved For Release 2008/09/08 : CIA-RDP86B00338R000400490015-1

CUNA

News Release

Credit Union National Association, Inc.

Public Relations
1730 Rhode Island Avenue, N.W.
Suite 810
Washington, DC 20036
202/828-4500
Contact: Brooke Shearer

FOR IMMEDIATE RELEASE
October 4, 1983

CUS PRAISE ALLOTMENT BILL

Washington, D.C. -- Credit unions strongly support a bill eliminating fees charged financial institutions that receive payroll deductions from federal employees.

This message was delivered to a House subcommittee by Angel Lopez, President of the Defense Credit Union Council.

Speaking on behalf of his organization and the Credit Union National Association, the credit union industry's leading trade group, Lopez said the "Payroll Deductions Facilitation Act" would make the allotment program more attractive to credit unions and their members.

"Eliminating the charges on allotments will mean that "additional income will be returned to our members in the form of increased dividends (savings) and lower interest rates on loans," said Lopez.

Currently, a federal employee may have a portion of his paycheck "alloted" to one financial institution without charge. However, if he directs that his earnings be sent to more than one institution, those additional institutions are charged processing fees.

The new bill, sponsored by Rep. Mary Rose Oakar (D-OH), would eliminate those fees. These fees were imposed in 1968 on federal employees only. Military employees have never been charged for this service. This proposed bill (H.R. 3879) would redress this inequity, Lopez said.

- more -

Approved For Release 2008/09/08 : CIA-RDP86B00338R000400490015-1

Approved For Release 2008/09/08 : CIA-RDP86B00338R000400490015-1

The Credit Union National Association is the credit union industry's leading trade group. It represents more than 90 percent of the nation's 20,000 state and federally chartered credit unions. Collectively they serve more than 47 million members.

# # # #

Approved For Release 2008/09/08 : CIA-RDP86B00338R000400490015-1